GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:297
ANSWERED ON:11.07.2014
SHORT TERM COOPERATIVE CREDIT STRUCTURE
Nayak Shri B.V.

Will the Minister of FINANCE be pleased to state:

(a) whether the Short Term Cooperative Credit Structure (STCCS) has suffered losses on account of disbursement of short term loans to the farmers at concessional rates;

(b) if so, the details thereof during the last three years and the current year, Statewise;

(c) whether Government proposes to make good such losses;

(d) if so, the details thereof and if not, the reasons therefor; and

(e) the other corrective steps taken/being taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance (Smt. Nirmala Sitharaman)

(a) to (e): Losses incurred by the Short Term Cooperative Credit Structure (STCCS) on account of disbursement of short term crop loans at concessional rates have not come to the notice of the Central Government.

In order to provide credit for farmers at affordable interest rates, the Government of India, has since 2006-07, been implementing the Interest Subvention Scheme under which short-term crop loans upto Rs.3 lakh are made available to the farmers at an interest rate of 7% p.a. by the Banks, for which Banks (including Cooperative Banks) are given a subvention of 2% by the Government in respect of their own involved funds. It is also submitted that apart from their own involved funds, the Cooperative Banks get short term refinance from the National Bank for Agriculture & Rural Development (NABARD) at the rate of 4.5% to the extent of 50% of ground level credit flow. Thus, in cases where the short term crop loan disbursement by Cooperative Banks is covered by NABARD's refinance, the ultimate lending rate for short term crop loans being fixed at the concessional rate of 7%, the Cooperative Banks get an interest spread (margin) of 2.5%.

Further, under the Interest Subvention Scheme the farmers who repay their short-term crop loans in time are given an additional subvention of 3% by the Government.